

1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE EASTERN DISTRICT OF VIRGINIA
3 Richmond Division

4
5 ePlus, Inc.,

6 Plaintiff,

7 VERSUS

3:08CR438

8 Perfect Commerce, Inc., et al.,

9 Defendants.

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13 Before: HONORABLE ROBERT E. PAYNE
14 United States District Judge

15 Pre-Trial Conference in chambers

16 November 13, 2009

17 Richmond, Virginia

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19 ***Rush Transcript***

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23 ***Gilbert Frank Halasz, RMR***
24 ***Official Court Reporter***
25 ***U. S. Courthouse***
 1000 East Main Street
 Richmond, Virginia
 (804) 916-2248

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APPERANCES

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CHRISTIAN & BARTON

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by: CRAIG THOMAS MERRITT, ESQ.

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GOODWIN PROCTER

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by: SCOTT LYNN ROBERTSON, ESQ.

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MERCHANT & GOULD

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by: DANIEL WILLIAM McDONALD, ESQ.

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TROUTMAN SANDERS

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by: DABNEY JEFFERSON CARR, IV, ESQ.

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1 THE COURT: All right.

2 MR. MERRITT: Good morning, Your Honor.

3 Craig Merritt with Christian Barton law firm. I
4 am here as local counsel for ePlus, Inc., the
5 plaintiff.

6 MR. ROBERTSON: My name is Scott Robertson
7 from Goodwin Procter, counsel for the plaintiff,
8 ePlus.

9 MR. McDONALD: Good morning, Your Honor.

10 Daniel McDonald with Merchant and Gould in
11 Minneapolis. I represent the defendant Lawson
12 Software.

13 MR. CARR: Dabney Carr for them as well.

14 THE COURT: Do we need to plug in Noonan by
15 phone, or is he still in the case?

16 MR. McDONALD: I talked yesterday. He will
17 no longer be in the case. It will be Dabney Carr
18 and his firm.

19 THE COURT: He is not?

20 MR. McDONALD: That's correct. I just talked
21 to him yesterday afternoon about this.

22 THE COURT: That is all right. I just want
23 to -- I noticed he is in the pleadings.

24 What a pleasure this has been to read last
25 night and for the last couple of days. I have

1 concluded as a result of it that Twombly needs to
2 apply to patent cases. That the patent complaints
3 in patent cases offends the basic precept of
4 Twombly. And I wonder whether this is the time
5 that we ought to go ahead and have that done,
6 because then we will know at the outset of the
7 case every product, every claim, and every patent
8 that is alleged to be infringed. And perhaps that
9 will solve some of the problems that we have.

10 I find -- I don't know how long this case has
11 been going, but we are pretty far down the road.
12 And from what I see in the resolution, the papers
13 relating to the discovery motion -- which appears
14 largely to have been resolved -- we still don't
15 know what patents or what claims of what patents
16 are infringed by what products.

17 When did this case get filed?

18 THE CLERK: May 19 of this year.

19 THE COURT: Thank you, Mr. Neal.

20 What is the answer to that?

21 MR. ROBERTSON: Sorry?

22 THE COURT: What is the answer to that
23 question?

24 MR. ROBERTSON: I think we made significant
25 strides, Your Honor. We moved forward on

1 discovery. The plaintiff produced more than two
2 million pages of documents in the last 14 days to
3 a month. The defendant produced 2 point 8 million
4 pages of documents. We have had several 30 (b)
5 6 --

6 THE COURT: Supplemented interrogatories?

7 MR. ROBERTSON: And provided 120 pages of
8 claim charts identifying all of the claims that
9 are at issue, deposition testimony that supports
10 our position, and documents that support the
11 infringement.

12 THE COURT: When was that all done?

13 MR. ROBERTSON: Supplemental interrogatories
14 I think went out about two weeks ago.

15 Dan?

16 MR. McDONALD: I think still in November.

17 THE COURT: But in order that -- you all
18 tendered this proposed order. You don't propose
19 to fish or cut bait on the claims until what, 90
20 days before trial, or something like that? That
21 is something you ought to do when you file a law
22 suit.

23 MR. ROBERTSON: Your Honor --

24 THE COURT: I mean, as far as I am concerned
25 this process of patent litigation is ended. This

1 case illustrates why it needs to be.

2 MR. ROBERTSON: We have no intention of
3 trying all 79 claims.

4 THE COURT: I know.

5 MR. ROBERTSON: We haven't done it before in
6 front of Judge Brinkema and not in front of Judge
7 Spencer.

8 THE COURT: Why should discovery proceed in
9 the case measured against a universe of 79 claims
10 when in fact you are not going forward with but a
11 few of them? Because that complicates discovery.
12 It affects every component of the case, summary
13 judgment defenses. And, in fact, it certainly is
14 important, I think, in respect of the request to
15 stay these proceedings pending the re-examination.
16 So why is it that you all can't decide which
17 claims you are going forward on, which patents,
18 say within two weeks or three weeks or something
19 like that? Why can't that be done?

20 MR. ROBERTSON: Judge, I mean we have been
21 forthcoming in our identifying all of the claims
22 we think are infringed and the evidence we think
23 infringes. We haven't gotten positions from the
24 defendants on a number of the claims. We would
25 like discovery developed a little bit further

1 before we have to make that decision.

2 THE COURT: Why? How long have you been at
3 this? You have been at each other throats for how
4 long?

5 MR. ROBERTSON: Not that long, Your Honor. I
6 think we just started depositions in October.

7 THE COURT: But you have been in discussion
8 since before the suit was filed, according to the
9 papers, it sounds to me like.

10 MR. ROBERTSON: No.

11 THE COURT: Maybe not with this defendant.
12 With the other defendants.

13 MR. ROBERTSON: Settled with the three or
14 four defendants, Your Honor. And we -- those
15 matters we haven't been able to resolve the law
16 suit. If The Court would like, we are perfectly
17 willing to narrow the claims to a reasonable
18 number. We would like to get some invalidity
19 positions from the defendants.

20 THE COURT: What pertinence are invalidity
21 positions to your decision which claims are
22 offended by which products?

23 MR. ROBERTSON: Well, to move forward on the
24 best case, quite candidly. And we would like to
25 know the invalidity case, be given that on all 79

1 claims. It is not like we have been not been
2 forthcoming in identifying both the documents that
3 were produced to us at the time and the deposition
4 testimony we obtained as to why we think those
5 claims are infringed.

6 You know, can I -- nowhere in the universe,
7 absolutely, have I done that before in Judge
8 Brinkema and Judge Spencer's. Quite definitely.

9 THE COURT: You didn't do it until the end of
10 the day. That flips the whole concept of one of
11 the reasons of Twombly on its head. The basic
12 method is you ought to have a claim to go forward
13 on before anybody has to go through the burden of
14 discovery, and it ought to be a plausibly-stated
15 claim. So it troubles me that we are at this
16 point. How many were the same patents that aren't
17 at issue in the Brinkema case?

18 MR. ROBERTSON: Same exact?

19 THE COURT: All of them, or two of them?

20 MR. ROBERTSON: All three.

21 THE COURT: Well then, tell me what they do,
22 these people do, that offends your patents, do you
23 think?

24 MR. ROBERTSON: Sure, Your Honor. In fact
25 there is an entire industry built up now around

1 patented technology. My client is a competitor in
2 the market place that offers software systems that
3 perform what is called corporate electronic
4 systems and methods defined in the claims in which
5 you can search multiple catalogs of vendor items
6 that are for sale. Select those items, build
7 requisitions, purchase orders, check inventory.

8 THE COURT: For commercial people, or do you
9 mean it is software that I would use when I go to
10 the Joseph A. Banks and want to buy a shirt of a
11 certain kind?

12 MR. ROBERTSON: It is not. More like a
13 corporate procurement for typically mid cap to
14 large cap companies.

15 THE COURT: They need to buy --

16 MR. ROBERTSON: -- supplies.

17 THE COURT: -- office supplies or furniture?

18 MR. ROBERTSON: Or lap tops. Have five
19 thousand in sales information.

20 THE COURT: Software enables them to get
21 comparative prices for the products that you are
22 looking for, say lap tops, from different vendors?

23 MR. ROBERTSON: Managing the purchase
24 procurement process for large companies is what it
25 is directed to. There are lots of players in the

1 market place now. Ariba was one, which was in the
2 case.

3 THE COURT: That is Judge Brinkema?

4 MR. ROBERTSON: SAP before Judge Spencer.

5 There were a number of others that were named in
6 this litigation that we resolved our differences
7 with. And there is Lawson. There are probably
8 more out there on the market place, Your Honor,
9 that we have looked at and that we are in
10 discussions with.

11 You know --

12 THE COURT: Well, surely you have talked to
13 these people before you sued them.

14 MR. ROBERTSON: In some instances, yes, Your
15 Honor. Not in all.

16 THE COURT: But you didn't tell Lawson --

17 MR. ROBERTSON: No, sir. The concern was
18 that we are a relatively small, Herndon, Virginia
19 company. The concern was if we get sued in forums
20 far, far away from our home -- that is where we
21 wanted to be, particularly with the the precedent
22 that has been established, the success we have had
23 in the past here. So we filed in Alexandria. We
24 got transferred to Judge Morgan, which happens.
25 We are proceeding in front of Judge Morgan. And

1 got sent up here. And then over to you.

2 So, you know, Judge, I hear you. I am
3 willing to narrow the claims. I just like, you
4 know, a reasonable opportunity to see what some of
5 the invalidity positions are.

6 THE COURT: When is that to be done?

7 MR. MERRITT: Could I offer a thought on the
8 sequencing?

9 THE COURT: Sure.

10 MR. MERRITT: It may tie in with something on
11 the scheduling order that the parties filed
12 yesterday. It is at page eight. There is a
13 critical place where the parties have a
14 difference.

15 THE COURT: Page?

16 MR. MERRITT: Eight of the scheduling order.
17 Pretrial schedule A, page eight to the
18 scheduling order.

19 THE COURT: You mean the Markman hearing? It
20 starts?

21 MR. MERRITT: Starts with the Markman hearing
22 under item I 3. You see that the parties have
23 laid out their different positions on the
24 defendant's contentions their affirmative
25 defenses. Apropos your comments about Twombly,

1 there is no question that ePlus bears the burden
2 on proving its infringement and disclosing it.
3 And maybe post Twombly world it's something
4 equivalent of the claim chart should be attached
5 to a complaint. Now I'm not sure how that would
6 work, but by the same token a defendant bears its
7 burden on its affirmative defenses. As they are
8 pled there should be some way of identifying what
9 those are and fleshing those out so the parties
10 have an initial exchange by way of that type of
11 disclosure that would help them shape discovery.

12 One of the things we are concerned about here
13 is that the narrowing to what is going to be tried
14 as opposed to what potential inference is being
15 pressed by the defendant. At the same time it is
16 trying not to make the equivalent on its
17 affirmative burden of disclosures until such time
18 in January. And our thought on the sequencing is
19 if they would do the equivalent for their
20 affirmative defenses of what we have done with the
21 claim art, we could put the two side by side, do
22 some narrowing, and use that as a basis for
23 discovery. But we are concerned that making a
24 decision on what to try at this stage without
25 having better disclosure of affirmative defenses

1 puts the plaintiff at something of a disadvantage
2 because it as shot in the dark as to which of
3 those defenses might be stronger or weaker.

4 THE COURT: What is the difference? I mean,
5 the way the federal system works every plaintiff
6 in every case faces that very issue before they
7 file the complaint. And under Twombly you are
8 supposed to make that decision and fire that shot
9 in an informed way so that the process begins.
10 And then they of course have their obligation to
11 plead affirmatively any defenses. And then
12 discovery is to go forward on that basis. You
13 don't typically have the advantage of a discovery
14 on the defendant's affirmative defenses before you
15 file a complaint unless you have conducted, as you
16 should have before filing lawsuits, discovery -- I
17 mean discussions with each other.

18 MR. MERRITT: The only point -- and I want to
19 be sure I am articulating it clearly -- is that
20 the filing of the affirmative defense presumably
21 is based on that same level of inquiry as the
22 filing of the initial pleading so some disclosure
23 of the thinking behind or elaboration on that
24 affirmative defense would be helpful before either
25 of the parties are asked to narrow down what they

1 are going to try or which claims are going to go
2 to trial.

3 THE COURT: Agree.

4 MR. MERRITT: So it is question of
5 sequencing, really.

6 THE COURT: Agree. But the way that is
7 accomplished under the federal rules, Rule 26
8 disclosures, and in patent cases, it is not
9 unreasonable to require that the disclosures when
10 they encompass claim charts and prior art listings
11 and all of that that usually accompanies the
12 defenses.

13 MR. ROBERTSON: Your Honor --

14 THE COURT: But you have had two cases
15 involving this in this district. Have you had any
16 elsewhere?

17 MR. ROBERTSON: No, sir.

18 THE COURT: Okay. So, there has been claim
19 constructions made by two courts, correct?

20 MR. ROBERTSON: Yes, sir.

21 THE COURT: And have those claims
22 constructions been consistent?

23 MR. ROBERTSON: In some ways, yes; and some
24 ways, no.

25 THE COURT: All right.

1 I don't see any point in another court in
2 this district going through another drill on claim
3 construction where they have, two of them have
4 reached the same results. And I don't -- I mean
5 the odds of those two judges being wrong on what
6 that claim means and of the issues being litigated
7 to get to a claim construction seem to me to be
8 likely to be the same. I realize that it is not
9 an estoppel situation because they weren't -- you
10 weren't parties to it, but, goodness, it seems to
11 me we need to figure out some way to get to cut to
12 the chase here in this case.

13 MR. ROBERTSON: Your Honor, I don't disagree
14 as to that. Where Judge Brinkema and Spencer were
15 consistent, I think it should be consistently
16 applied, and we can direct you to that. I think
17 it might not even be controversial once we have
18 discussion with the defendant and it is mapped
19 out.

20 Let me address the point, prior point, one
21 second about Twombly and narrowing claims and
22 being able to identify the infringing systems
23 prior to filing a complaint. We absolutely did
24 pre-filing investigation with all due available
25 information we could obtain. A lot of that was

1 from publicly-held documents from the defendant's
2 web site, but part of the difference between this
3 patent case and maybe another typical patent case
4 is that a lot of the stuff is not available to
5 conduct analysis until you have discovery. Why is
6 that? Because it is software, Your Honor,
7 because, first, it is not something I can go down
8 and buy off the shelf. Mr. McDonald and I
9 actually were co-counsel ten years ago involving a
10 Porter, a biscuit cutter. And I could go down to
11 Home Depot and buy that and take it apart and see
12 exactly how it infringed or didn't infringe. And
13 I could prepare a complaint identifying why it
14 did. I can't do that in the software case. I
15 don't have the source code, which is not made
16 available to me. I don't have the demo models,
17 which aren't made available. I don't have the
18 guidelines, the manuals which I have to get
19 through discovery. We have now obtained in large
20 part all of that, and we have been, as I say, very
21 forthcoming in identifying and marshaling the
22 evidence that we have that infringes. And as of
23 Wednesday they wrote me and said they wanted
24 further supplementation the following morning. I
25 said I would supplement again by December 18 after

1 I have been able to process the two point
2 eight million pages of documents that have just
3 come in over the last three weeks. I think we
4 have been about as forthcoming as we can as early
5 on as we can with the the information that we
6 have. As I say, it is not a widget I can buy off
7 the shelf. And the nature of software is the
8 complicating factor in this -- in this case.

9 THE COURT: Well, but what you are arguing
10 for is an exception from Twombly for software
11 cases. I don't think any such basis for that
12 exists. The simple answer to that to me is that
13 you have experts in the field who can analyze what
14 actually is done, what you can get to. And they
15 can give you an analysis of whether there is a
16 likelihood of infringement or not and why. And I
17 can't imagine that you didn't do that before you
18 filed the complaint.

19 MR. ROBERTSON: We did all that.

20 THE COURT: So, do you have a way of
21 specifying what it is you think is infringed? And
22 then when you get the discovery in the ordinary
23 course you can move to amend if you need to?
24 That -- I think it is time that the patent, the
25 world of patent lawyers, need to accept that

1 patent law is no different than any other law in
2 the way that the rules of procedure apply.
3 The Supreme Court has told the federal circuit
4 that twice now within the last three years. And
5 the patent bar doesn't seem to have gotten it.
6 What is more, I haven't seen but one case where
7 anybody even asserted *Twombly* as to test the
8 validity of a patent claim. So what has happened
9 is as a consequence patent litigation gets started
10 in May and here we are in November and we haven't
11 really gotten anywhere in the way of really
12 defining what it is that is going to be tried.

13 How many claims did you -- all of that is
14 simply because everybody has proceeded in a lock
15 step not paying a bit of attention to the Supreme
16 Court's instruction in *Twombly* in patent cases.
17 That is my view.

18 So, how many claims did you actually try in
19 the *Ariba* case?

20 MR. ROBERTSON: Eight, Your Honor.

21 THE COURT: How many claims did you actually
22 try in the *SAP* case?

23 MR. ROBERTSON: 13, Your Honor.

24 THE COURT: Were the eight and the 13, was
25 there an overlap between the eight and the 13?

1 MR. ROBERTSON: You are testing my memory. I
2 suspect there were. But I need to go back and
3 confirm that. But I suspect there were at least a
4 few.

5 THE COURT: Do you know?

6 MR. McDONALD: I don't know for sure. My
7 recollection is there were some overlap.

8 THE COURT: All right.

9 The other thing that the patent bar needs to
10 learn is not every conceivable patent defense
11 applies in every case. And it is time that we
12 brought that to a halt. And only the ones, only
13 the ones that truly have some merit based upon an
14 investigation ought to be presented.

15 Which ones do you intend to present, sir?

16 MR. McDONALD: I intend to bring two defenses
17 there within the four corners of the patent, that
18 is section 101 of the Patent Act, there is not
19 patentable subject matter, and also section 112,
20 which is lack of written description and lack of
21 adequate support in the specification. There is
22 some good case law specific to software cases
23 which calls for things like, you have to tell us
24 the algorithm, if you call, for example, that
25 search engine, how does it search? What is the

1 process for that? There is a lot of missing
2 pieces in these patents.

3 THE COURT: Who says you have to tell you
4 that?

5 MR. McDONALD: There is some case law I got
6 from the patent office board of appeals that cites
7 other cases.

8 THE COURT: Where does it have to be told?

9 MR. McDONALD: In the specification of the
10 patent itself. They have to explain how it works.
11 If it is not there for at least one element of
12 number of claims --

13 THE COURT: In order to have an adequate
14 patent in a software case, you have to articulate
15 the algorithm.

16 MR. McDONALD: It is not enough to have a
17 box.

18 THE COURT: If you don't articulate the
19 algorithm you don't have a valid patent because
20 you haven't adequately circumscribed what you are
21 claiming.

22 MR. McDONALD: Claiming.

23 THE COURT: All right.

24 MR. McDONALD: And then we have prior art
25 defenses. We have been very detailed about eight

1 specific prior art references we have gone through
2 element by element, cross linked it. We have also
3 incorporated the re-exams now, three that have
4 been filed yesterday. We went out the door three.
5 Number one is subject of --

6 THE COURT: You mean 516 patent?

7 MR. McDONALD: 683, subject of panel
8 rejection. Two had office action. First office
9 action this week rejecting each and every claim to
10 have that 172. Third one filed yesterday.

11 THE COURT: You filed -- your original filing
12 of the 172 was rejected, according to the papers
13 that I have.

14 MR. McDONALD: That was corrected just this
15 week.

16 THE COURT: When was that re-filed? When was
17 the correction filed?

18 MR. McDONALD: I think several weeks ago.

19 THE COURT: So that is not reflected in the,
20 any of papers that I remember reading.

21 MR. McDONALD: We have not updated our --
22 that is probably in the motion for stay. There
23 are new facts.

24 THE COURT: And so, what was the office
25 action in the 172?

1 MR. McDONALD: Rejecting all claims.

2 THE COURT: What?

3 MR. McDONALD: Rejecting every claim in the
4 patent based on prior art. Several combinations
5 of prior art as set forth.

6 THE COURT: And then what happens now?

7 MR. McDONALD: They get a chance to respond.
8 That is just the first action, first office. That
9 is bar from recovery, that is the first, as prior
10 art. Relied on the prior art. Third one that we
11 had, we have gone in each and every claim. We
12 have all three of those patents now in the
13 process, different stages, but in the process on
14 the re-exams. Those all have to do with prior
15 art. You can't bring up the 102 issue. The
16 patent subject matter issue, you can't -- I cannot
17 bring up the 112 issue in a re-exam. That is
18 really based on printed publications, very
19 specific types of prior art. So we have to kind
20 of put these in different boxes. But certainly we
21 have some excellent prior art here as these, I
22 think, re-exams validate, that either anticipate
23 or render obvious in combination of these claims.
24 And the law of obviousness has gotten more common
25 sense here with the KFR decision from the Supreme

1 Court. There is art here where it has got prior
2 art, number one has everything; but two, number
3 two the elements claim, the idea of combining
4 things. This one with the electronic sourcing
5 systems. Like that. It is a very common sense,
6 obviousness story here.

7 THE COURT: What defenses do you --

8 MR. McDONALD: Don't anticipate any other
9 than those.

10 THE COURT: Now, you know them.

11 Let me ask you. This may not be the proper
12 way to ask it. But, you can help me reframe the
13 question if it is not.

14 What is your product?

15 MR. McDONALD: Our product is, it is software
16 that helps people order and buy products.

17 THE COURT: Is the one product an iteration
18 of software, or lots of different iterations?

19 MR. McDONALD: There is a suite of products
20 we have. I think what is relevant is two versions
21 of it. I think that the main one that I think got
22 dragged in to this case is an extension of our
23 product that has this feature called punch out.
24 Punch out means -- the Lawson product doesn't
25 allow you to do something with it, so we allow you

1 to punch out on the internet and you can go to a
2 site like --

3 THE COURT: Lawson's product doesn't what?

4 MR. McDONALD: Certain things it doesn't do.
5 One things it doesn't do is provide you access to
6 vendor catalogs that are published catalogs.
7 Lawson provides this punch out option where the
8 user of the Lawson system is given this
9 opportunity to go out on the internet. And they
10 go to a Dell site that is set up so I can buy
11 stuff at Dell or Office Max. And then other ones
12 called catalog aggregators like Ariba, like
13 Sequest, one of the co-defendants. Those
14 companies actually set up a portal out there where
15 they will aggregate several catalogs and provide
16 access to that. Our product links like a truck
17 and trailer. And so we were sued together with
18 Sequest because with the punch out we got this
19 way to go to somebody else's site where they have
20 all of these catalogs. Well, they joined with
21 Sequest, they took a license. We don't do the
22 catalogs, we simply gave the customers a way to
23 pick up the phone and call, in effect, these other
24 systems that do have actual catalogs.

25 THE COURT: Assume these patents are valid.

1 What is your position on infringement?

2 MR. McDONALD: We don't because we don't have
3 these multiple catalogs you need for these claims.
4 Now, there is precedent claims. I can't give you
5 a short answer.

6 THE COURT: You have looked at 79 claims
7 since May.

8 MR. McDONALD: Right. The vast majority of
9 them involve multiple catalogs, being able to
10 search a sub-set of multiple catalogs. We
11 don't -- we don't need a system to do this. We
12 don't do that. We allow them to punch out to
13 somebody else's site where they are licensed any
14 way. In case -- I don't see how they get paid
15 twice for the truck hooking to the trailer that
16 has already been licensed. So those, that is part
17 of it, the catalogs.

18 The searching, they have to search a sub-set
19 of catalogs in many of these claims. We don't
20 provide a way to do that. In our stand-alone
21 system we have what is called an item master list.
22 That is the list of product that it lists, that
23 the customer basically puts together themselves.
24 They pick what they want to have on, in a sense,
25 their shopping list. So it is not bringing in a

1 Sears catalog and Montgomery Wards and so on
2 searching those independently, which is what the
3 patent talks about. This as their invention. We
4 are doing what is right on top of it, the prior,
5 that gave you a product list to search through and
6 you go ahead and requisition from those. It
7 didn't have, according to their own patent, this
8 ability to make specific --

9 THE COURT: You want a desk, computer, and a
10 chair. You have software. I say I want a desk.
11 Could you purchase a chair and desk and order from
12 the list the customer pre-populated? Then what do
13 you do since you can't under your system? Is that
14 where your punch out, you hit punch out and it
15 goes to somebody who offers desks, somebody who
16 offers chairs, and somebody who offers computers?

17 MR. McDONALD: Well, I think their product is
18 really designed for -- well, I have got the list
19 of maybe a hundred or thousand products that I buy
20 all the time. What if I need something else that
21 might be in a big catalog, Fisher Scientific?
22 Fills these computer tents. They have a huge
23 catalog known as the Fisher Scientific catalog.
24 They would love for shoppers to see that whole big
25 thing. Don't want them back in with a list of 50

1 things they always buy. They want them to see the
2 big thing. That is what is missing. Give you a
3 shopping list, but not a way to look at that whole
4 big catalog.

5 THE COURT: What other defenses do you have
6 in the case?

7 MR. McDONALD: There are defenses relating to
8 inducement claims. That is part of the punch out.
9 I think even part of the other claims because many
10 other claims --

11 THE COURT: What do you mean inducement?

12 MR. McDONALD: We don't make, sell, or use a
13 system that actually infringes s directly a claim.

14 THE COURT: How about here?

15 MR. McDONALD: Couple things inducing
16 customers, in essence, to infringe because we aid
17 and abet them to populate a product list, and we
18 give them that punch out. We give them the way to
19 call out on to the internet and interact with the
20 other systems. So they are saying that we are
21 aiding and abetting both versions of that
22 infringement for that. There is a number of
23 additional defenses that are specific to induce,
24 inducement unlike the regular specific intent
25 tort. We have to not only know about the patent,

1 which we did not, as you heard about before the
2 law suit, but have to have a client who
3 specifically intended to cause infringement of
4 claims of that with the actions that they took.

5 Advice of counsel is a defense to that. And,
6 also, lack of knowledge of this thing. Certainly
7 that is kind of, I think as a summary judgment
8 type issue, how could you have specific intent to
9 cause infringement if you didn't even know about
10 the patent? There is good case law on that.

11 And I think the licensing also is a good
12 defense given that our system punches out to their
13 own licensees. Why is it the fact that we simply
14 allow them to punch out is something that they
15 could infer we are trying to do is infringement?
16 We are trying to punch out to their own partner.

17 THE COURT: That is another component --

18 MR. McDONALD: Specific intent.

19 THE COURT: -- of the inducement issue.

20 MR. McDONALD: Right. Although it applies
21 to, I think, either way because certainly if they
22 have already been paid once, it is an authorized
23 system, and I don't think they get paid twice
24 for --

25 THE COURT: Any other defenses?

1 I mean that you have not -- that are
2 available. It is time for the patent bar to quit
3 thinking in laundry list terms. And I think the
4 time for tolerating that in the judiciary has to
5 be over because it is killing the process. Not
6 every case has everything in it.

7 MR. McDONALD: Right. I think you know --
8 let me clarify one thing. I think Mr. Robertson
9 might note there is from predecessor counsel some
10 allegation and some interrogatory answers
11 regarding inequitable conduct. I don't think we
12 are going to pursue that. We are going to drop
13 that.

14 THE COURT: That makes things different. I
15 think it changes the way the case goes, too.

16 All right. What else?

17 When are you going to -- what invalidity
18 positions do you need stated before you fish or
19 cut bait on what you are going to try?

20 MR. ROBERTSON: I would like, Your Honor, to
21 find out what are the -- if he wants to narrow the
22 universe of prior art and tell us exactly how they
23 invalidate, I would appreciate that.

24 THE COURT: How did they not do that in all
25 of the things they have already filed in the

1 patent office that you have access to?

2 MR. ROBERTSON: First of all, Your Honor,
3 that has not been their consistent position in the
4 litigation. Same things raised in every
5 examination, every judge and jury who every looked
6 at these patents found them not to be invalid in
7 some prior art raised before the pre-examination
8 and before the judges and the juries.

9 THE COURT: In every instance you have judges
10 and juries that have gone one way, you have a
11 patent examiner that has gone the same way, and
12 then you have the PTO on re-examination going
13 exactly the opposite to that? Is that basically
14 what happened here?

15 MR. ROBERTSON: Yes. In SAP no determination
16 was made by the jury, but it didn't -- the jury
17 after hearing the evidence, shortly after that the
18 case settled through the good offices of
19 Magistrate Judge Dohnal. But, what particularly
20 happens in the patent office -- and quite frankly
21 this is criminal at this stage -- is you pay your
22 fee, you get your re-examination, particularly if
23 the case is in litigation. I think we put in the
24 payers an affidavit of the former commissioner of
25 the patent office who said that the wheels have

1 fallen off the wagon.

2 THE COURT: Judge Michelle said the same
3 thing. That is ridiculous that you could have a
4 jury say something is valid and at the same time
5 you have the patent office, which previously
6 couldn't have issued a patent in the first
7 instance, without making a judgment that is valid,
8 re-examining the whole thing, and having a
9 different view. What are they doing, hiring
10 people up who don't know what they are doing?

11 MR. ROBERTSON: What they do is after they
12 take the fee, give you a patent, put in the
13 familiar language, we issue it for ten years. In
14 this examination that has been filed there has not
15 been one re-examination that has gone all the way
16 to the federal circuit in the ten years that the
17 statute has been on the book. I mean, that is a
18 problem. So it essentially puts you into
19 hyperspace without any ability to enforce your
20 patent, protect your market space when you are a
21 competitor. That is where we stand on
22 reexamination, quite frankly. I think events
23 superseding those, we were well in to the
24 litigation. You noted we have got depositions of
25 inventors coming up in the next three weeks. We

1 would like them -- we are happy to narrow the
2 issues in the case. You asked specifically the
3 problem we have with some of the invalidity
4 contentions. I mean just --

5 THE COURT: I wanted to know what invalidity
6 contention do you need to know? What is it you
7 say you need to know before you can fish or cut
8 bait on what you are going to -- what you are
9 going to pursue in this case.

10 MR. ROBERTSON: I would like to know what the
11 principal places of prior art they are relying on,
12 and what elements of them invalidate the patents.
13 When I mentioned the claims, let me give you a
14 short summary of the claims. We are talking about
15 different components that are well-recognized in
16 the sense, you know, in isolation. A catalog's
17 searching capability of requisitions, built-in
18 capability. A purchase order generating
19 capability. The ability to check inventory of
20 product that you selected. If they want to show
21 us on an element-by-element basis where that is in
22 prior art and somehow should be combined, that is
23 what we are looking for. They are looking for the
24 same from us on the infringement contention.
25 Where is this in the software systems? And we are

1 providing that based on the discovery that we have
2 had to date. We would like to see --

3 THE COURT: You ought to provide that in the
4 complaint. You ought to provide it in the claim
5 chart.

6 MR. ROBERTSON: As I said --

7 THE COURT: What you are doing, you are
8 putting -- you are putting the discovery as the
9 vehicle to do what actually is contemplated to be
10 done by the complaint and the disclosures. And
11 you have gotten the cart before the horse in many
12 respects.

13 Now, you have got, each of you producing two
14 million documents and you don't know what you are
15 producing about. Or, I guess you do. I mean, you
16 are competent lawyers, so you do have some idea of
17 what you are doing, but you are generating a lot
18 of waste, I think. I don't want it to happen in
19 the litigation.

20 When are you going to be prepared to fish or
21 cut bait about -- you have done all this stuff for
22 the patent re-exam, why can't you do it?

23 MR. McDONALD: We can.

24 THE COURT: Well, do it.

25 MR. McDONALD: I thought we had already

1 done -- what we have done is 78 specific, we have
2 have filed re-exams. There are some other prior
3 art. We chose another 32 pieces of prior art.
4 They said you haven't charged those out yet. I
5 don't think if the patent office, the judge and
6 jury don't buy prior art one through eight, I'm
7 pretty sure they won't buy number nine. I mean by
8 Monday I will figure out, whether I have a number
9 nine or ten. You know, number eleven there is no
10 point to it.

11 THE COURT: All right. This is Friday. I
12 don't know it can be done by Monday.

13 MR. McDONALD: I got excited.

14 THE COURT: To do it right, I don't want to
15 say you forgot it.

16 MR. McDONALD: Next week is reasonable. I
17 think we basically will say we will stick with
18 what we have got.

19 THE COURT: All right. Then you will provide
20 all of your prior art invalidity positions by next
21 week.

22 MR. McDONALD: Yes. You know, we have
23 already done that. We will keep it, say we won't
24 do any more. It kind of confuses me. We did do
25 it for all 79 claims, you know. We had to keep it

1 moving.

2 THE COURT: I have to tell you, ePlus has
3 this thing backwards. I think it is time for you
4 to fish or cut bait. And you are going to do it,
5 and do it the right way, because it is going to
6 change the way the whole litigation is conducted.

7 MR. ROBERTSON: I understand. That message
8 came across. We do claim charts before we filed
9 this complaint. We went through it in detail and
10 got as much information as we could. I mean, we
11 can't do industrial espionage and steal the
12 software.

13 THE COURT: Why not? Everybody else does.
14 Because you don't want to do it and get caught and
15 go to jail.

16 MR. McDONALD: After they sentenced someone
17 to 30 years this morning, I don't want get in that
18 area.

19 I won't blame you for that one.

20 THE COURT: Well, I understand that, that you
21 can't do industrial espionage, and I don't want
22 anything I say to be construed as you should do
23 that. I think what -- why don't we do this? Why
24 don't you identify the claims of each patent on
25 which you believe, based on what you know now, you

1 are going forward on.

2 Then you identify your invalidity defenses
3 immediately after that. If you need to change
4 anything, you have five days to change it.

5 MR. ROBERTSON: Understood, Your Honor.

6 THE COURT: I think they need to know what
7 you are shooting at, why you are shooting at them.
8 Otherwise, what we are doing is turning the whole
9 pleading process on its head.

10 So any reason you can't stake out your claim
11 by Wednesday, which claims of which patents you
12 are going for? Just a list we intend to go
13 forward with the these claims of this patent.

14 MR. ROBERTSON: Yes, Your Honor. May I make
15 a suggestion? Could I do it with the subset of 20
16 right now from 79 down to 20?

17 THE COURT: No. I want you to take it to the
18 ones that you are going to. I want you to go to
19 the ones that you really are going to. Because
20 you went with the eight with Judge Brinkema, why
21 can't you get it down in that sum? I see the 20,
22 what you have done, and fighting over that in the
23 pretrial order. But that is just gamesmanship.

24 MR. ROBERTSON: To be fair, I anticipate at
25 some point it will be a Markman ruling in this

1 case, and that could impact on what claims, you
2 know, would be asserted depends on the ruling.

3 Now, clearly, it would need to be narrowed
4 for The Court to determine what terms are in
5 dispute if there are genuine disputes. There are
6 eight or ten, as I recall, overlapping claim terms
7 that Judge Brinkema and Judge Spencer construed
8 consistently. Judge Spencer after the trial was
9 over vacated his Markman ruling upon motion. And
10 I think he vacated it -- it was argued and agreed
11 on that he made certain errors after hearing the
12 evidence as to what specific rulings he admitted.
13 In fact, they were concerning these algorithm
14 claims Mr. McDonald raised with Your Honor. And I
15 think the Judge realized that he made a mistake
16 when he identified what the algorithm was.

17 Excuse me.

18 But my suggestion would be this, Your Honor.
19 I will narrow them significantly. I would propose
20 initially we go down to 20 by Friday.
21 Mr. McDonald -- and I would be given another week
22 to respond to those on his invalidity contentions
23 so that would narrow the universe for him to
24 respond. And then move forward, Your Honor. And
25 after the Markman ruling, I would narrow those

1 down to ten.

2 MR. McDONALD: I have an opinion on that, if
3 I may. I think actually narrowing it down to ten
4 will help the Markman process. We will know what
5 we are talking about. Ten is still a lot of
6 claims to go after in accused infringement, Your
7 Honor. With the very three closely-related
8 patents, all have the same specification. Here
9 they have ten bullets to shoot. That should be
10 enough. And that will streamline the Markman
11 process if we know what the ten are.

12 THE COURT: What are -- what would the
13 Markman process entail in this case?

14 MR. McDONALD: I could see us looking at the
15 prior decision stage to see if we can agree on
16 which ones we can live with. If there are
17 discreet ones we can't even decide to do that, we
18 might have one or two we might --

19 THE COURT: Sorry. I have a conference call.

20 SECRETARY: I wanted direction. Do you want
21 them to call back? I guess this is follow up from
22 yesterday.

23 (Recess)

24 THE COURT: How many terms there will be at
25 issue in the Markman?

1 MR. ROBERTSON: Your Honor, unfortunately
2 this is, again, reflects poorly upon the patent
3 bar in prior litigation fighting over what is a
4 catalog and what is a purchase order and what is a
5 requisition. That was silly to me. I think lay
6 persons understand what those terms are. But they
7 were disputed. Those were resolved by Judge
8 Brinkema and Spencer. I would think we wouldn't
9 be fighting over that again.

10 THE COURT: Anybody who will be fighting over
11 the term "catalog" better have a dag gone good
12 reason for fighting over it. That is ridiculous.
13 These things have ordinary meaning unless there is
14 some special definition to them in this case or
15 the patent lingo. They were chosen by the
16 inventor. I don't see any basis for even
17 wrestling with that.

18 MR. ROBERTSON: I think --

19 THE COURT: What are --

20 MR. ROBERTSON: Terms that will be --
21 function terms in contest of what the computer
22 implemented process is, that is, a means for
23 searching. What are the means? In the SAP case,
24 SAP imported all of this verbiage from its
25 specification that it claimed had to be the

1 algorithm. We think that was improper. I think
2 largely that will, dispute will be over what are
3 some of these algorithm --

4 THE COURT: Let me take this call.

5 (Recess)

6 THE COURT: The terms, the Markman terms,
7 what are they and how many of them are there at
8 issue?

9 MR. ROBERTSON: Yes, sir. Let me -- I think
10 I can address this, and I will let Mr. McDonald
11 respond. If you would like, I could hand you copy
12 of one patent.

13 THE COURT: I have the patents over here.
14 What are they? Now, you ought to know the terms.

15 MR. ROBERTSON: These terms that Mr. McDonald
16 mentioned that are computer-implemented talk about
17 means for doing things. When you have a means for
18 performing a function, it is the courts
19 requirements under the case law to go and see what
20 the structure is in the specification that
21 performs that function -- what the means do in the
22 computer is implement software product like this.
23 It going to be an algorithm. What is that? Makes
24 the computer -- says it is just a series of steps
25 to perform a task. We are going to have to tell

1 you what those means are. There are terms like
2 means for selecting product catalog search, the
3 means for searching for matching items, means for
4 building a requisition. We think it is all laid
5 out. We think we can do that, but that is what
6 the fight is. There are a lot of terms, there are
7 a lot of means terms, but almost alike, very
8 similar, if not identical, in most, if not all,
9 the claims. I think it boils down to half dozen
10 or so. I think the courts are exactly right. We
11 should not be fighting over terms like catalog,
12 requisitions, purchase order. Specially when they
13 have been constricted by Judges Brinkema and
14 Spencer to be the same.

15 We would be urging that we reach an agreement
16 on those terms. And then I think the fight is
17 going to center around these means plus function
18 terms. As I said, I think that is half a dozen or
19 so, sir.

20 MR. McDONALD: That we were aware of means
21 plus function claims, that is more than I heard
22 before. I wasn't sure how far they would push
23 those. That is more involved in the Markman
24 construction process, means plus function, and
25 other terminology. There are --

1 THE COURT: The Markman process, if it
2 involves means plus function, require expert
3 testimony to consider what the claim terms mean.
4 I can't imagine if you had catalogs you would need
5 an expert to determine that. But what about means
6 plus function?

7 MR. McDONALD: Most is within the four
8 corners of the patents themselves, and prosecution
9 history, to some extent.

10 THE COURT: So we are not going to need an
11 expert?

12 MR. McDONALD: I don't know about testimony.
13 Maybe affidavits. A little context for these
14 things. But i think none -- it will be more in
15 the nature of --

16 MR. ROBERTSON: I don't disagree. I think it
17 should come from the specification.

18 THE COURT: Should, but do either of you
19 intend to use experts as part of the Markman
20 process?

21 MR. ROBERTSON: No, sir, I don't.

22 MR. McDONALD: I don't know that we made a
23 final decision. If they use, it would only be for
24 context. I don't think it is going to be
25 significant.

1 THE COURT: "Context" has a lot of different
2 meanings, I have found, in patent cases. Depends
3 on what lawyer you are talking to. Here is -- I
4 think you have done a lot of talking before. You
5 need to revise this.

6 I will give you a copy of the pretrial order
7 in another case that is over here. It is a
8 different kind of case, but it will help get some
9 things straightened out. It is not necessarily
10 the end of the pretrial order process. They are
11 going to have to be doing the same thing, and have
12 done the same thing that you all have done. But
13 this will help you.

14 MR. CARR: This is what you asked us to look
15 at before, and we tried to focus.

16 THE COURT: What you did is leave a lot of
17 stuff out undone. I want you to please file,
18 Mr. Robertson, the claims that you intend that
19 you, based on what you know, that you contend are
20 infringed, and how they are infringed based upon
21 what you know right now. And I want to know the
22 quickest date you can do that. And that those are
23 going to be the ones that are going to shape the
24 way the rest of the case is going to go. Now --

25 MR. McDONALD: The list, that really is

1 listing what they are going to try.

2 THE COURT: The list of claims he believes
3 are infringing, as if you were having to do that
4 under the rules of pleading. And the Mark -- the
5 Twombly issues. And you are going to have to
6 figure out how many they are and get them done so
7 they know what they are dealing with.

8 And then I want at the same time a list of
9 the claim terms that are, that you contend to be
10 in dispute.

11 MR. ROBERTSON: I need to confer, of course,
12 to see what is in dispute.

13 THE COURT: I know. Here we are. This is
14 November. This has been going on since May. It
15 is time to get it done.

16 MR. ROBERTSON: Sure.

17 THE COURT: And then I want you to file all
18 of, a list of your invalidity defenses, your
19 infringement defenses, and your positions in
20 opposition to what he has so everybody knows where
21 you stand.

22 I want to list the defenses that you are
23 really going to be dealing with somewhere. I mean
24 in separate pleadings. Which are the ones. Take
25 out the fluff that is in here. That needs to be

1 done in a very short period of time after he has
2 finished. And then we are going to know from
3 there where we need to go.

4 And I want your list of claim terms at the
5 same time.

6 Now, you all can go down the hall, or you
7 can -- I guess you need to eat lunch -- but down
8 the hall and sit down and talk about that and
9 restructure an order that has that provision in
10 it. I want to see it happen. I am really talking
11 about within a week or so for you and week after
12 that for you. It is just time that needs to get
13 done, I think.

14 Now, when you re-do your discovery, here are
15 the things that come to mind. At page two of the
16 schedule A I want the summary judgment motion much
17 further ahead of time from the trial date, than 40
18 days. I want the discovery cutoff to be much
19 further ahead in time than the 45 days. I want
20 the motions in limine due ahead of the final
21 pretrial conference and briefed ten days
22 completely finished, briefing ten days before the
23 final pretrial conference.

24 I would like to have a schedule for your
25 experts, a specific date schedule when you are

1 going to disclose to each other your expert
2 reports, et cetera.

3 I think those schedules can be, those kinds
4 of dates and schedules can be done in a separate
5 context. You don't need to be tied down by using
6 this format if you don't want to. In fact, most
7 people don't. They do it in a separate schedule.
8 And then whatever is left is done with the
9 remnants of the pretrial schedule.

10 I am going to refer the case to Magistrate
11 Judge Dohnal for settlement. And -- any reason he
12 shouldn't be given? He has been through it once.

13 MR. ROBERTSON: No, Your Honor.

14 THE COURT: Did you settle after the jury,
15 after the case with the Judge Brinkama, end up
16 settling after that or go to judgment?

17 MR. ROBERTSON: Jury verdict came back. She
18 bifurcated damages. And then we went into
19 intensive discussions. Judge Brinkama managed the
20 case.

21 THE COURT: She handled that, not a
22 magistrate judge?

23 MR. ROBERTSON: That is right, sir.

24 THE COURT: Okay.

25 All right.

1 You need to get these expert disclosures and
2 reports out in time for the expert opinions to be
3 useful and known and be deposed. I know what is
4 going to happen, the way summary judgments end up
5 in patent cases. Unless you get all that done
6 first is this: Somebody says, well, all of this
7 summary judgment resolution has to depend on the
8 expert testimony. It is not finished yet. Let's
9 put it off. I don't want to have that happen. If
10 expert testimony is going to be involved in the
11 summary judgment process, then you have to have
12 the expert discovery done in each case before the
13 summary judgment process begins. Each case has
14 its own peculiar issues with respect to when or
15 whether what has to be done and what particular
16 order.

17 On the Markman hearing once I know the list
18 of claim terms and see how much we can use of what
19 has already been done, we can set a Markman
20 hearing. And I would like to have that -- it
21 sounds to me like this is a case where I don't
22 need expert testimony or anything, but the terms
23 of the patent and specifications in it. And the
24 file history. I would like to have a complete
25 file history of each patent filed here.

1 How big are each one of them? What is the
2 file history, excluding the reexamination? I
3 don't want that.

4 MR. ROBERTSON: About eight to ten inches.

5 THE COURT: Eight.

6 MR. ROBERTSON: Total.

7 THE COURT: Tomorrow.

8 MR. ROBERTSON: We will get it to you in a
9 joint appendix if you like.

10 THE COURT: File one, and we want two copies
11 of it up here. One for each.

12 MR. ROBERTSON: At the time of the Markman
13 briefing or now?

14 THE COURT: Right, as soon as I can get it.
15 And then this item, I think we are, you are going
16 to have to restructure this, as I have suggested.
17 I think that you can re-do some of that and talk
18 about it and come back and we can arrive at a
19 schedule. You may want to come back next week
20 some time. And what I think you ought to do is
21 try to have a revision of this together with a
22 schedule for doing all of the things that we have
23 talked about. I am not going to try to cram it
24 down your throat, but I will insist that you do
25 it. And I don't think -- I am not -- I don't

1 think we are not looking at a long process,
2 because you have had plenty of time. You know
3 where you are going to go. And there is no reason
4 to delay as we are in this. Do you want me to
5 rule on the motion for the stay on the papers, or
6 do you want an argument on it? Anybody need
7 argument?

8 MR. McDONALD: I think we may want to
9 supplement to let you get an update as to what
10 happened so you have the rest of the facts that
11 happened.

12 THE COURT: When do you want to file that?

13 MR. McDONALD: Next week.

14 THE COURT: What day?

15 MR. McDONALD: Thursday.

16 THE COURT: What date is that? Nineteenth.
17 That is your supplement.

18 MR. McDONALD: Yes. Defendant's.

19 THE COURT: All right.

20 MR. ROBERTSON: Could I have three days to
21 respond?

22 THE COURT: What? That is the 22nd?

23 MR. MERRITT: 20th is Friday. Saturday and
24 Sunday. 23rd is Monday.

25 THE COURT: When do you want to file?

1 MR. ROBERTSON: 24th.

2 THE COURT: Okay. Any need for a reply?

3 MR. McDONALD: I doubt it.

4 THE COURT: Okay.

5 Then we are updating what has happened here.

6 MR. McDONALD: Okay.

7 THE COURT: Now, those motions have very
8 little left, it looks to me, after reading the
9 reply brief about the discovery. Looks to me like
10 you have mostly that taken care of.

11 But I have to read that, those papers.

12 Have I entered the joint protective order?

13 MR. CARR: We made a joint protective order
14 submitted to Judge Spencer that has been posted,
15 publicly posted, for the time period it has, and
16 is waiting to be signed.

17 THE COURT: It has passed its time when you
18 sent it?

19 MR. CARR: Had not. But has now. So it can
20 be signed any time.

21 THE COURT: Where is it?

22 MR. CARR: We would have sent over an
23 ink-signed copy when we filed the motion to have
24 it entered in the clerk's office.

25 THE COURT: In the clerk's office. Okay.

1 Make sure we get that entered. All right.

2 All right.

3 Why can't there be -- why can't Lawson
4 respond to interrogatory number ten pertaining to
5 the revenues for your accused products? What is
6 the problem with that? Certainly you know that.

7 MR. McDONALD: The problem was from 2005 on
8 there were electronic records of that that made it
9 easier; but prior to 2005 they don't have
10 summaries for these particular products. So what
11 we did is produce raw data that the contractor
12 called for, revenues, which is the best we can
13 tell, the best available information on the pre
14 2005 financials the products that are at issue.
15 We produced what we have, Your Honor.

16 THE COURT: Well, you relied then on Rule 33
17 to produce documents as an answer?

18 MR. McDONALD: For the pre-2005, yes.

19 THE COURT: What I am talking about. Those
20 have to be as easy for them to answer as you to
21 answer to find the information. I find it
22 difficult to understand how they could find the
23 totals quicker and easier than you could. You
24 have the mechanisms to know how to find the
25 answers. I don't understand.

1 MR. McDONALD: We have -- we have to go
2 through the available documents and get out a
3 calculator. There is summary figures in it.

4 THE COURT: You certainly have books and
5 records from which you can figure out what your
6 income is. I mean, you have got to pay taxes and
7 all this other stuff.

8 MR. McDONALD: Sure, a summary, but when you
9 drill down to the particular products they don't
10 have that from pre-2005. They don't have summary
11 for modems that are at issue. So we have given
12 them the best thing we have.

13 THE COURT: No. What you just said is you
14 don't have a summary document. And I am not
15 talking about that summary. I am talking about
16 the basic information that all businesses keep
17 with their products and their inventory. And they
18 have that data. They ought to be able to find it.
19 It may be difficult for them, but they have got to
20 have it. And the task is; A, do they have it; B,
21 how burdensome is it to find out? I mean to put
22 it together?

23 MR. McDONALD: Maybe I do need to clarify
24 what they are looking for.

25 I think we have given those types of

1 documents that we have. So what exactly do you
2 not have that you still want?

3 MR. ROBERTSON: Well, to be fair, 2 point
4 8 million pages of documents have come in over the
5 last couple weeks, Your Honor. At the time we
6 filed the motion we didn't have any financial
7 documents prior to October, excuse me, 2005. I
8 guess I am hearing for the first time what they
9 want us to rely upon is contracts for these
10 specific products. Let me, if they could, first
11 step would be nice if they identified the bates
12 ranges for them.

13 THE COURT: Could you identify the documents
14 from where these answers can be found and go from
15 there? Here is the ground for future discussion
16 in the resolution of this. The burden is going to
17 be on you, the people who have that information,
18 Mr. McDonald, to put it in front of them in some
19 way they can meaningfully calculate it. I can't
20 believe that a business doesn't have -- I know
21 they may not have it in the easily retrievable
22 form, but they have some responsibility to pony up
23 the work necessary to find the answer, otherwise
24 what is going to happen is you will get struck
25 with the the highest figure they can come up with.

1 You are not going to have an ability at that
2 juncture to come in and say, well, that is not
3 right. Here is why. Because that is something
4 you should have done a long time ago in answering
5 this interrogatory. So your client needs to know
6 they have a responsibility to do it that way.

7 The identification of the potential
8 infringing products, that will be done as part of
9 the process we just talked about, right?

10 MR. ROBERTSON: Yes, sir.

11 THE COURT: Responses and claims, charts,
12 invalidity issues, and other defenses, we have
13 that taken care of.

14 And you are going to take care of that, too?

15 MR. McDONALD: Correct.

16 MR. CARR: I should say, you asked for those
17 charts to be filed, and we have just been serving
18 them each other. Do you want copies filed?

19 THE COURT: The claim charts?

20 MR. CARR: Yes.

21 THE COURT: Yes.

22 MR. CARR: Okay.

23 THE COURT: Well, I want -- I am hopeful at
24 the end of day what you will end up doing is
25 looking at other claim charts saying, okay, here

1 is where we agree and why we don't.

2 MR. ROBERTSON: One point for clarification.

3 Several defenses, such as 112, have been
4 mentioned. And does it have adequate description,
5 or this 101, is it patentable subject matter? I
6 would hope that we are getting something more
7 than, no, it is not.

8 THE COURT: I assume you asked
9 interrogatories about their defenses.

10 MR. McDONALD: We have specific interrogatory
11 responses, specific elements we identify as having
12 these deficiencies.

13 THE COURT: I understand that. You are going
14 to live with that. If that isn't sufficient to
15 tell them how to move forward, that is going to be
16 the end of what you do. You won't be able to add
17 it later. So you may want to go back and look at
18 it. What I am looking forward to is having each
19 of you inform the other very precisely as best you
20 can right now based on what you know of what you
21 are doing and what your contentions are. So that
22 you know where to head the discovery, what to do
23 with your depositions, and how we are going to
24 proceed. I recognize that the litigation evolves
25 and it may be necessary to make supplements and

1 amendments. That can be done. But when you do
2 that, you say, I supplement this position by
3 stating this, and here is why I am doing it now
4 rather than later -- rather than earlier. The
5 time for fencing is over. We are going to have
6 see if we can't get some touches.

7 All right.

8 What is this complaint? Its production of
9 e-mail correspondence. What is that?

10 MR. McDONALD: I believe we have done that
11 now, Your Honor. May I mention certain
12 depositions where that particular witness,
13 Mr. Grout, indicated some other e-mails. Those
14 have been captured.

15 THE COURT: You have done that?

16 MR. McDONALD: Yes. Got those out. We have
17 to do a final double-checking, but I believe we
18 have supplemented since the motion was filed,
19 certainly with the all the other e-mail we are
20 aware.

21 THE COURT: How about the documents
22 pertaining to the customers and competition with
23 the ePlus that you agreed to provide but they say
24 you have not done that yet?

25 MR. McDONALD: Those have all been produced

1 now as well.

2 THE COURT: Do you agree?

3 MR. McDONALD: With specific bates numbers.

4 All been produced.

5 MR. ROBERTSON: I have to go back and check.

6 THE COURT: You don't know the answer?

7 MR. ROBERTSON: No, sir.

8 THE COURT: I expect you all to talk about
9 this status of discovery. Submit to me an order
10 that resolves everything the way you all have
11 agreed to resolve it. It is all set out in here.
12 Based on what we have agreed we are going to do
13 and what you are going to come up with today and
14 tomorrow in the way of an order, we ought to be
15 able to resolve all of these motions, this motion
16 in this fashion, with the guidance you have gotten
17 today.

18 MR. ROBERTSON: You know, we wrote defendant
19 yesterday withdrawing a number of issues as moot
20 in the motion.

21 THE COURT: I am not criticizing you, just
22 trying to get some of this stuff decided. I
23 haven't forgotten what being a lawyers in complex
24 litigation is about. But one thing I also learned
25 early on is some times it helps to have an outside

1 influence in restructuring the approach to things,
2 to help things be more efficient. That is what
3 Judge Merhige told me when he was kicking my back
4 side. So I found it actually to be helpful most
5 of the time. All right.

6 Anything else you need take up?

7 MR. CARR: One thought about scheduling.

8 THE COURT: We have a trial date we have to
9 deal with.

10 MR. CARR: You talked about getting specific
11 dates for the expert. One thing we have seen in
12 the discovery plan we pointed out was that the
13 experts in order to issue their expert reports,
14 the best situation is they have the Markman ruling
15 by them.

16 THE COURT: I understand they would like to,
17 but the standard way of doing it, if you can't get
18 the Markman hearing, they do best they can and
19 then if they, you know, want to file some kind of
20 supplemental provision, they have to, you have to
21 work that out. Actually the case called Rambus,
22 in which procedure for dealing with this in an
23 unresolved case where the claim construction was
24 unresolved the expert opinions were due and there
25 is a mechanism for dealing with all that. One of

1 the Rambus versus Inferion case where experts
2 testimony was excluded, I still think that is the
3 appropriate way to do it. But, if I find that the
4 claim construction issues are not out of hand and
5 that they are down to the precious few, if they
6 dwindle down to the precious few, then probably we
7 can get a Markman hearing quickly and get it
8 resolved. And I want a date for the Markman
9 hearing based on what I see you all doing here.
10 And then a trial date. And say ten to 15 days.
11 You say that is not possible?

12 MR. ROBERTSON: I think more like eight,
13 especially if we are narrowing the claims.

14 THE COURT: And are you going to insist that
15 a jury be subjected to violation of their eighth
16 amendment rights in this case?

17 MR. ROBERTSON: I think my client is going to
18 insist on that, yes, sir.

19 THE COURT: Well --

20 MR. ROBERTSON: Unless Magistrate Dohnal can
21 work his magic.

22 THE COURT: Well, that is all right. But
23 since they won one in front of a jury and mistrial
24 of another, I guess they have some reason for
25 that. All right.

1 When will we get back together now with a
2 revised schedule and revised draft of this order?
3 I would like to have that a little bit ahead of
4 time, say 24 hours ahead of time, so I can read
5 it.

6 You don't need you to stay around.

7

8 (Reporter excused)

9 True and correct transcript

10

11 Gilbert F. Halasz, RMR

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